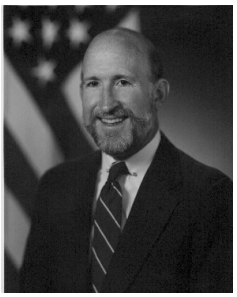
NOTES FROM THE:

Deputy Assistant Secretary, Cost & Economics



by Mr Joseph T. Kammerer

AFCAIG Factors

The Executive AFCAIG is considering a proposed methodology change to the conversion rates used during the cost per flying hour factor build. Currently, we convert previous year's Material Support Division (MSD) baseline obligations to current year dollars by applying a conversion rate based on the aggregate Working Capital Fund price change. The rate applies to all aircraft across all MAJCOMs. A separate conversion rate is used for General Support Division (GSD) consumable. Under the new proposal, we intend to use Standard Base Supply System data to build MAJCOM/aircraft unique conversion rates based on three-year averages of consumption. Due to limitations with supply data, this method will apply only to MSD at this time. AFCAIG members agreed with the concept and believe unique rates will better reflect MAJCOM requirements during the current analysis year. During the FY03 APOM AFCAIG cycle, factors will be computed using both the old and new conversion rate methodologies. Using the comparison data, the Executive AFCAIG will then determine the appropriate method to provide the most accurate factors as possible.

AFCAA/FMFF has developed a Microsoft Access database tool to be used by MAJCOMs and Air Staff for flying hour factor POM submission preparation and analysis. The tool replaces hundreds of spreadsheets with one database. Automated report generation exists for detailed and summary level cost per flying hour breakouts, fuel consumption, adjustments, and price-out information. The tool is posted on the SAF/FM web site in both Access 97 and Access 2000 formats.

Quadrennial Defense Review

SAF/FMC plays a key role in the development of the Air Force Quadrennial Defense Review (QDR) estimate. The QDR is an executive level review of America's defense posture. The review includes players from OSD, JCS, the CINCs, and the Services. The drill is required by law to take place every four years in concert with the Presidential elections. We provide technical and analytical force structure cost analysis support and respond to countless "what if scenarios". The Air Staff breaks the QDR into study areas which focus on estimating groups of broad-based programs. Study areas include Rapid Mobility, Attack Force, Information Superiority, Missile Defense, and Space Superiority. Our analysis assists leadership to answer question likes "How do we optimize force capability and cost to enhance Aerospace Supremacy or Global Reach. "

Our efforts began with developing, refining, and coordinating the Air Forces' primary long-range planning estimate called the Air Force Program Projection (AFPP). The AFPP became the baseline for the QDR, which we improved by developing additional estimates. We have already prepared about 60 cost estimates of futuristic and legacy systems like the future combat air vehicle (FCAV), Next Generation Bomber, follow-on AWACs, KC-X, and a penetrating stand-off jammer (EF-15). Another task included developing unit cost factors for use by air force war-gamers. The electronic war games are designed to optimize force structure relative to cost and force mix/capability with respect to near peer, two major theater wars (2MTW), and small-scale contingencies. Finally, we are developing cost factors that will be integrated into an automated "quick-cost" programming tool called Information and Resource Support System (IRSS).

Annual Department of Defense Cost Analysis Symposium (ADoDCAS)

The 34th annual symposium will be held at The Lodge, Williamsburg VA, from 30 January 2001 to 2 February 2001. The theme for this year's event is *Resource Issues for the Coming Decade.* This event is a great opportunity for cost analysts from across the DoD to come together with individuals with the same professional interests and share best practices. To find out more about the symposium, go to the following web address: http://www.ra.pae.osd.mil/adodcas/.